

Message Text

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ACTION EB-03

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FM AMEMBASSY CARACAS

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C O N F I D E N T I A L CARACAS 4161

LIMDIS

EO 11652: GDS

TAGS: EMIN ETRD

SUBJECT: CONVERSATION WITH VENEZUELAN FOREIGN MINISTERS
RE POSSIBLE DEVELOPMENTS IN ANNOUNCED INTENTION
TO NATIONALIZE VENEZUELAN IRON INDUSTRY

REF: A. CARACAS 4133

B. CARACAS 4139

C. STATE 90161

D. STATE 92058

1. IN COURSE OF A MOST CORDIAL INTERVIEW THIS MORNING WITH
FOREIGN MINISTER SCHACHT, I SAID THAT IT SEEMED TOO EARLY TO
INQUIRE AS TO THE DETAILS BY WHICH GOV PLANNED TO EXECUTE
PRESIDENT PEREZ'S ANNOUNCED PROGRAM FOR NATIONALIZATION OF THE
VENEZUELAN IRON INDUSTRY, BUT I COULD INFORM THE MINISTER THAT
ALREADY OFFICIALS OF U.S. STEEL COMPANIES WERE UNDERTAKING
CONVERSATIONS WITH THE MINISTER OF MINES. I THOUGHT AT
THIS STAGE OF THE GAME IT WAS SUITABLE FOR GOVERNMENTS
NOT TO BECOME INVOLVED, ESPECIALLY SINCE I WAS CONFIDENT THAT
IF IN FACT MATTERS CAME TO A CASE OF NATIONALIZATION, VENEZUELA
WOULD BE FOREMOST IN RECOGNIZING THE ACCEPTED DOCTRINE OF
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INTERNATIONAL LAW THAT IN EVENT OF EXPROPRIATION PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION BE MADE. TO THIS, SCHACHT INSTANTLY REPLIED THAT VENEZUELA WAS FULLY AWARE OF ITS OBLIGATIONS IN THIS REGARD AND THAT IF IN FACT A QUESTION OF EXPROPRIATION SHOULD ARISE, WE COULD BE ASSURED THAT HIS GOVERNMENT WOULD GIVE SUCH COMPENSATION. HE SAID, "WE HAVE NO INTENTION OF ACTING LIKE SOME OTHER LATIN AMERICAN GOVERNMENTS OF RECENT EXPERIENCE."

2. I THEN WENT ON TO SAY (LAST PARAGRAPH REF A) THAT THERE WAS ANOTHER MATTER WHICH CONCERNED ME QUITE APART FROM ISSUES OF FUTURE COMPENSATION, AND THIS WAS WITH RESPECT TO AN ASSURED RELIANCE BY THE UNITED STATES ON VENEZUELA FOR CONTINUED SUPPLIES OF IRON ORE. I SAID THIS WAS A MATTER WHICH TRANSCENDED ANY PARTICULAR COMPANY INTEREST BUT WAS ONE AFFECTING OUR NATIONAL SECURITY BECAUSE OF THE STRATEGIC IMPORTANCE OF STEEL.

3. I NOTED THAT ONLY THIS MORNING IN THE DAILY JOURNAL AND THE VERNACULAR PRESS REINALDO CERVINI, PRESIDENT OF "PRO-VENEZUELA," HAD COME OUT WITH A DEMAND THAT VENEZUELA CEASE THE EXPORTATION OF PETROLEUM AND IRON ORE TO THE UNITED STATES AND EUROPE BUT SHOULD LEAVE IT IN THE GROUND FOR FUTURE DEVELOPMENT NEEDS. CERVINI WAS QUOTED AS SAYING THAT "SINCE THE NATION HAS AN ABUNDANCE OF REVENUES, IT DOES NOT NEED TO CONTINUE WITH AN IRRATIONAL POLICY OF EXPLOITING OIL AND IRON ORE SIMPLY TO SATISFY THE VORACIOUSNESS OF THE DEVELOPED WORLD." I ADDED THAT ONLY LAST NIGHT I HAD BEEN TO AN EXTRAORDINARILY ELABORATE PARTY AT CERVINI'S HOUSE AND THAT HE HAD GREETED ME LIKE A LONG-LOST BROTHER. IN FACT, POLITICAL COUNSELOR RANDOLPH AND I WERE THE ONLY FOREIGN DIPLOMATS (OR FOR THAT MATTER, THE ONLY FOREIGNERS) INVITED TO ATTEND THIS HUGE FIESTA WHICH WAS GIVEN IN HONOR OF EX-PRESIDENT CALDERA AND HIS WIFE AS WELL AS MINISTERS IN THE RECENT COPEI ADMINISTRATION. I SAID TO FOREIGN MINISTER SCHACHT THAT CERVINI COULD BE AS DELIGHTFUL PERSONALLY AS HE COULD AT TIMES BE PRICKLY WHEN IT CAME TO SUCH PUBLIC PRONOUNCEMENTS AS THAT I HAD JUST QUOTED. I FOREBORE TO ADD THAT MOST OF CERVINI'S INHERITED WEALTH COMES FROM STEEL.

4. I WENT ON TO ADD THAT CLEARLY NO ONE WOULD QUESTION THAT THE FIRST CALL ON VENEZUELAN IRON ORE RESOURCES SHOULD BE BY THE VENEZUELAN ECONOMY ITSELF BUT I FERVENTLY HOPED THAT THERE

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WOULD BE SUFFICIENT PRODUCTION OF IRON ORE IN FUTURE YEARS NOT ONLY TO SATISFY THE REQUIREMENTS OF THE VENEZUELAN STEEL INDUSTRY BUT LIKEWISE TO ADMIT OF TRADITIONAL EXPORTS OF IRON ORE TO THE UNITED STATES. TO THIS, THE FOREIGN MINISTER REPLIED THAT HE WAS PERFECTLY CERTAIN THAT WE COULD CONTINUE TO RELY ON VENEZUELA AS SUCH A TRADITIONAL SUPPLIER; AND I HAD THE IMPRESSION THAT HE WILL, IN REPORTING THIS CONVERSATION, SO RECOMMEND TO PERESIDENT PEREZ.

5. IN VIEW OF THE FAIRLY ROUGH TIME GIVEN U.S. STEEL OFFICIALS BY THE MINISTER OF MINES, AS REPORTED REF A, I SHOULD BE GRATEFUL IF DEPARTMENT WOULD TELEPHONE MY U.S. STEEL FRIENDS EDGAR B. SPEER AND DONALD ROLLINS TO SAY THAT I HAVE RECEIVED THESE ORAL ASSURANCES THIS MORNING FROM THE VENEZUELAN FOREIGN MINISTER AS TO CONTINUATION OF ORE SHIPMENTS TO THE UNITED STATES. I SHALL LIKEWISE INFORM COHLMeyer WHEN HE RETURNS FROM HIS PRESENT TRIP TO PERTO ORDAZ.
MCCLINTOCK

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